How to Measure Performance

A Handbook of Techniques and Tools

U.S. Department of Energy

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TRADE®

Performance Based Management

PBM SIG

Special Interest Group

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How to Measure Performance
A Handbook of Techniques and Tools

Prepared by the
Training Resources and Data Exchange (TRADE)
Performance-Based Management Special Interest Group

for the
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Assistant Secretary for Defense Programs

and the
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Assistant Secretary for Environment, Safety and Health
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PREFACE

Introduction

The Training Resources and Data Exchange (TRADE) Performance-Based Management Special Interest Group (PBM SIG) was chartered to foster continuous improvement and facilitate the use of performance-based management techniques within the U.S. Department of Energy (DOE) community. This handbook has been compiled by the PBM SIG to provide reference material to assist in the development, utilization, evaluation, and interpretation of performance measurement techniques and tools to support the efficient and effective management of operations.

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OVERVIEW

"How to measure performance?" How often do you ask yourself this question? Once a week? Once a month? Never? If you're a successful manager in a successful organization, you probably ask yourself this question every single day. However, measuring performance often isn't easy.

In the performance measurement arena, you don't always (or even often) get the results that you expect, want, or predict. After expending a great deal of energy collecting information, just when the results look promising, you find that you're measuring the wrong things.

It doesn't have to be this way. Two key words, although they won't completely solve your performance measurement problems, can put you on the path to success: disciplined approach. All too often performance measurement programs, created with the best intentions, fail because they were short sighted, ill conceived, and unfocused. Most of these ailments can be traced to one source: the lack of a viable approach to performance measurement from the start.

This handbook offers three such disciplined, systematic approaches.

- The first approach, the Performance Measurement Process, was developed by the DOE Nevada Family Quality Forum. This approach is quite detailed and outlines an 11-step process for measuring performance.
- The second approach, Developing Performance Indicators . . . A Systematic Approach, was used at Sandia National Laboratories. It is less detail-oriented than the first, and uses a fictitious company, the Hackenstack Firewood Company, for anecdotal purposes.
- The third approach, Developing Performance Metrics-the University of California Approach, was developed by the University of California. This method is broadest in scope.

Different organizations have different needs. Providing multiple approaches allows an organization to pick and choose which approach, or combination of approaches, is right for it.

It is important to remember that the approaches previously outlined were developed independently; they may use different terminology. For instance, what the first approach refers to as a performance measure may be referred to as a performance indicator in the second approach, or a performance metric in the third. All three approaches are referring to the same concept; however, each uses a different nomenclature (in fact, each approach has its own glossary). Fortunately, this causes problems only when comparing one approach to another, so be careful when you reach this stage.

A sound approach to performance measurement is a necessary ingredient for ensured success, but it alone is not sufficient. You will also need to know what to do with performance measurement data once it has been collected. The last few sections of this handbook provide some helpful hints on proven methods of data analysis and management.